

BLUEGRASS GAS SALES

RECEIVED

AUG 30 2004

August 27, 2004

**PUBLIC SERVICE
COMMISSION**

Mr. Thomas Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

VIA Federal Express

Case 2004-00334

Dear Mr. Dorman:

Enclosed is the Quarterly Report of Gas Cost Recovery Rate Calculation for the quarter ended June 30, 2004 for Bluegrass Gas Sales, Inc.

Please call me if you have any questions.

Sincerely,


Mark H. O'Brien

Enclosure

13400 U. S. Highway 42
Suite 290
Prospect, Kentucky 40059

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BLUEGRASS GAS SALES, INC.

Case Number

QUARTERLY REPORT OF GAS COST
RECOVERY RATE CALCULATION

DATE FILED: August 26, 2004

DATE RATES TO BE EFFECTIVE: October 1, 2004

REPORTING PERIOD IS CALENDAR QUARTER ENDED: June 30, 2004

Submitted By: Mark H. O'Brien, President
BlueGrass Gas Sales, Inc.
13400 U.S. Highway 42, Suite 290
Prospect, KY 40059
(502)228-9698
(502)228-7016 fax

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$7.8157
+ Refund Adjustment (RA)	\$/Mcf	\$0.0000
+ Actual Adjustment (AA)	\$/Mcf	\$0.7060
+ Balance Adjustment (BA)	\$/Mcf	(\$0.1503)
= Gas Cost Recovery Rate (GCR)	\$/Mcf	<u>\$8.3714</u>

GCR to be effective for service rendered from October 1, 2004 to December 31, 2004

A. Expected Gas Cost Calculation

Total Expected Gas Cost (from Schedule II)	\$	\$348,326
/ Sales for 12 months ended June 30, 2005	Mcf	44,568
= Expected Gas Cost (EGC)	\$/Mcf	<u>\$7.8157</u>

B. Refund Adjustment Calculation

Supplier Refund Adjustment for reporting period (from Schedule III)	\$/Mcf	\$0.0000
+ Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+ Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+ Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
= Refund Adjustment (RA)	\$/Mcf	<u>\$0.0000</u>

C. Actual Adjustment Calculation

Actual Adjustment for reporting period (from Schedule IV)	\$/Mcf	\$ 0.0347
+ Previous Quarter Actual Adjustment	\$/Mcf	0.5973
+ Second Previous Quarter Actual Adjustment	\$/Mcf	0.1328
+ Third Previous Quarter Actual Adjustment	\$/Mcf	\$ (0.0588)
= Actual Adjustment (AA)	\$/Mcf	<u>\$0.7060</u>

D. Balance Adjustment Calculation

Balance Adjustment for the Reporting Period (from Schedule V)	\$/Mcf	\$ 0.0161
+ Previous Quarter Reported Balance Adjustment	\$/Mcf	(0.0344)
+ Second Previous Quarter Reported Balance Adjustment	\$/Mcf	0.0199
+ Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ (0.1519)
= Balance Adjustment (BA)	\$/Mcf	<u>(\$0.1503)</u>

SCHEDULE II
 EXPECTED GAS COST

Projected Purchases for 12 months ended: June 30, 2005

<u>Supplier</u>	<u>Dth</u>	<u>Btu Factor</u>	<u>Mcf</u>	<u>Rate</u>	<u>Cost</u>
Home Office, Inc.	46,990	1.028	45,710	\$7.6203	\$348,326
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
Totals	<u>46,990</u>		<u>45,710</u>		<u>\$348,326</u>

	<u>Unit</u>	<u>Amount</u>
Projected purchases for 12 months ended June 30, 2005	Mcf	45,710
- Projected sales for 12 months ended June 30, 2005	Mcf	<u>44,568</u>
= Projected line loss for 12 months ended June 30, 2005		<u>1,143</u>
Total expected cost of purchases	\$	\$348,326
/ Mcf purchases	Mcf	<u>45,710</u>
= Average expected cost per Mcf	\$/Mcf	\$7.6203
x Allowable Mcf purchases (not to exceed 95% of Mcf sales)	Mcf	<u>45,710</u>
= Total Expected Gas Cost (to Schedule I, part A)	\$	<u>\$348,326</u>

SCHEDULE III

SUPPLIER REFUND ADJUSTMENT

For the 3 month period ended: June 30, 2004

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total supplier refunds received	\$	\$0
+ Interest		<u>\$0</u>
= Refund Adjustment including interest		\$0
/ Sales for 12 months ended June 30, 2004	Mcf	<u>44,568</u>
Supplier Refund Adjustment for the reporting period (to Schedule I, part B)	\$/Mcf	<u><u>\$0.0000</u></u>

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 3 month period ended: June 30, 2004

<u>Particulars</u>	<u>Unit</u>	<u>Month 1</u> <u>(Apr)</u>	<u>Month 2</u> <u>(May)</u>	<u>Month 3</u> <u>(Jun)</u>
Total supply volume purchased	Mcf	2,870	1,099	613
Total cost of volumes purchased	\$	\$20,688	\$8,418	\$4,542
/ Total sales (may not be less than 95% of supply volumes)	Mcf	2,798	1,072	598
= Unit cost of gas	\$/Mcf	7.3934	7.8546	7.5992
- EGC in effect for month	\$/Mcf	\$7.1856	\$7.1856	\$7.1856
= Difference [(over)/under-recovery]	\$/Mcf	\$0.2078	\$0.6690	\$0.4136
x Actual sales during month	Mcf	2,798	1,072	598
= Monthly cost difference	\$	\$582	\$717	\$247
Total cost difference (Month 1+2+3)	\$	\$1,546		
/ Sales for 12 months ended June 30, 2004	Mcf	44,568		
Actual Adjustment for the reporting period (to Schedule I, part C)	\$/Mcf	\$0.0347		

SCHEDULE V

BALANCE ADJUSTMENT

For the 3 month period ended: June 30, 2004

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
(1) Total cost difference used to compute AA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$52,927
Less: Dollar amount resulting from the AA of 1.1723 \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of 44,568 Mcf during the 12 month period the AA was in effect	\$	\$52,246
Equals: Balance Adjustment of the AA	\$	<u>\$681</u>
(2) Total supplier refund adjustment including interest used to compute RA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$0
Less: Dollar amount resulting from the RA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12 month period the RA was in effect	\$	\$0
Equals: Balance Adjustment of the RA	\$	<u>\$0</u>
(3) Total balance adjustment used to compute BA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$2,851
Less: Dollar amount resulting from the BA of 0.0631 \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of 44,568 Mcf during the 12 month period the BA was in effect	\$	\$2,812
Equals: Balance Adjustment of the BA	\$	<u>\$39</u>
Total Balance Adjustment Amount (1) + (2) + (3)	\$	\$719
Divide: Sales for 12 months ended June 30, 2005	Mcf	<u>44,568</u>
Equals: Balance Adjustment for the reporting period (to Schedule I, part D)	\$/Mcf	<u>\$0.0161</u>